



DATE May 5, 1971

ASD(I&L)

Department of Defense Instruction

SUBJECT Establishment of Charges for Quarters and Related Facilities

- Refs: (a) BoB Circular A-45, "Policy Governing Charges for Rental Quarters and Related Facilities," October 31, 1964, revised, Transmittal Memorandum No. 1
- (b) 5 U.S.C. 71
 - (c) P.L. 88-459
 - (d) Section 407(a), P.L. 85-241, as amended
 - (e) P.L. 89-568
 - (f) DoD Instruction 4165.44, "Assignment, Utilization and Inventory of Military Family Housing," April 30, 1971
 - (g) DoD Directive 5105.18, "DoD Committee Management Program," August 25, 1959
 - (h) DoD Instruction 4640.4, "Standard Rates for Unofficial Telephone Service at DoD Installations," May 5, 1969
 - (i) DoD Instruction 7150.6, "Financing the Department of Defense Family Housing Program - Administration and Management of Funds," October 20, 1969
 - (j) DoD Directive 1330.2, "Funding of Morale, Welfare and Recreation Facilities," January 19, 1953
 - (k) DoD Instruction 4165.42, "Establishment of Charges for Quarters and Related Facilities," October 18, 1965 (hereby cancelled)

I. PURPOSE

This Instruction revises reference (k) and prescribes uniform Department of Defense policies and procedures for implementing Bureau of the Budget Circular A-45 (reference (a)), and for setting and administering rents for quarters and charges for related facilities supplied by the DoD to (a) civilian employees of the Federal Government, (b) members of the uniformed Services, (c) foreign nationals (military or civilian), and (d) all non-government personnel occupying military housing.

II. CANCELLATION

Reference (k) is hereby cancelled.

III. SCOPE AND APPLICABILITY

- A. The provisions of this Instruction apply to the Military Departments and Defense Agencies (hereinafter referred to as "DoD Components"), and cover all quarters owned or controlled by the Department of Defense located within the

Continuation of III.A.

several States of the United States, the District of Columbia, the territories and possessions of the United States, and the Commonwealth of Puerto Rico, except Military Assistance Advisory Group (MAAG) quarters, for which (1) a cash rent and related fees are charged the occupant for use of the premises; or (2), in the case of inadequate quarters, a fair rent value (gross charge) is established to determine any net Basic Allowance for Quarters (BAQ's) payable to a military occupant.

- B. Although quarters operated by DoD Components in foreign countries are not subject to reference (a), it is the policy of the Department of Defense to establish fair economic charges for all family housing rental units (Section III.A. (1) and (2), above) owned and/or controlled by the DoD. Where feasible, the fundamental principle of comparability established by this Instruction shall be followed in establishing family housing rents and charges in foreign countries.

IV. DEFINITIONS

For purposes of this Instruction, the following definitions apply:

- A. Professional Fee Appraisers. A private citizen, preferably a resident of the area, who has at least the minimum qualifications of an appraiser Grades 11/15, as set forth in Civil Service Standards, occupational series GS 1171.
- B. Professional Staff Appraiser. An employee of a particular DoD Component or other Federal government agency who meets the same minimum qualifications as the fee appraiser.
- C. Employee Representatives.
1. One or more persons, employed by or attached to an installation, designated by an Installation Commanding Officer to determine rentals being charged in the private market and recommend rates for rental quarters and other facilities. Employee representatives cannot be residents of the quarters being considered or subordinates of such occupants.
 2. In selecting employee representatives, the Installation Commanding Officer should ensure representation of the views of both management and occupants. Use of employee representatives is not authorized except as noted in paragraph V.D.1.a.(2), below.
- D. Rental Quarters. The term "rental quarters" as used in this Instruction and reference (a) includes all living units,

May 5, 71

Continuation of IV.D.

housekeeping and nonhousekeeping, furnished and unfurnished supplied personnel (civilian employee, uniformed member or others) under specific government direction, as an incidental service in support of Government programs. It excludes:

1. public quarters assigned to members of the uniformed services in lieu of a BAQ or to civilian employees in foreign countries with forfeiture of housing allowance;
2. quarters available for occupancy to personnel where forfeiture of a portion of per diem travel allowance is involved;
3. privately-owned Wherry housing;
4. trailer spaces; and
5. guest houses and other facilities operated on the basis of non-appropriated funds for purposes of welfare or recreation.

As defined above, the words Rental Quarters include housing facilities designated for use of and occupied by members of the uniformed services as inadequate quarters on an adjusted forfeiture of the monetary quarters allowances to which they are otherwise entitled.

- E. Basic Rental Rate. That monthly rental value (comparable value) arrived at by application of the Basic Rent Principle, i.e., comparison of DoD-owned or controlled quarters, designated for occupancy on a rental basis, with comparable private rental housing, located within or adjacent to (not more than five miles from the boundary of) an established community which offers a rental housing market. Facility charges are excluded in basic (shelter) rent.
- F. Reasonable Value. (Fair Rent Value) That value arrived at by (1) application of the Basic Rent principle or (2) the latter principle as modified by allowable adjustments (see reference (a), paragraph 6 c-d(1) and paragraph 7).

V. POLICY

Public Law 88-459 (reference (c)) requires that rental rates and charges for other facilities made available in connection with the occupancy of quarters on a rental basis "shall be based upon the reasonable value . . . in the circumstances under which provided, occupied, or made available." Rents or other charges may not be set so as to provide an inducement in the recruitment or retention

Continuation of V.

of employees, or as an inducement to encourage the occupancy of existing Government housing (see 5 U.S.C. 71 (reference (b))). The establishment of rates truly reflecting "reasonable value" should not operate as a barrier in recruitment or retention of employees when the principle of "comparability", as hereinafter set forth, has been properly applied. Rental rates and other charges incident to the occupancy of quarters on a rental basis will be established in accordance with the provision of BoB Circular A-45 (reference (a)).

- A. Adjustments to Current Rates. To insure that rents and other charges reflect changes in the private market, rent schedules will be affirmed or adjusted at least once every three (3) years. However, utilities furnished by the Government and metered, measured, or estimated, will be adjusted whenever significant rate changes occur in the locality used for comparison.
- B. Designation of All Substandard Family Quarters as Inadequate Quarters.
 - 1. Effective July 1, 1966 all substandard family quarters, including government-owned trailers, for which rents and charges previously were collected from the occupants were designated as "inadequate public quarters."
 - 2. When such quarters are occupied by members of the uniformed services and their families, no more than 75% of the Basic Allowances for Quarters of the occupants shall be forfeited. (See references (d) and (e).)
 - 3. In no event shall the net rental charged to the member's BAQ be less than the cost of maintaining and operating the housing. Charges for O&M applicable to substandard quarters occupied by personnel of any of the uniformed services, other than DoD military personnel, shall be levied against the applicable service.
 - 4. When such quarters are occupied by other than members of the uniformed services and their families, rents and charges will be collected from the occupants.
- C. Rental Rates and Charges for Foreign Nationals. Rental rates for quarters and charges for related facilities supplied by the DoD to Foreign Nationals (military and civilian) will be set as follows:
 - 1. In accordance with terms of agreements between the United States and foreign governments such as set forth in DoD Instruction 7290.2 and DoD Instruction 2140.1 or other types of agreements such as exchange or interchange programs.

May 5, 71

Continuation of V.C.

2. When there is no formal agreement as mentioned in 1., above, rates will be set in accordance with BoB Circular A-45 (reference (a)) and this Instruction.

D. Determination of Rates and Charges.

1. Appraisal of Quarters.

- a. Only professional fee appraisers will develop the reasonable value for rents, utility, and service charges for all DoD quarters as set forth in reference (a), and this Instruction, except as follows:

- (1) When it has been determined to be clearly in the best interests of the Department of Defense, professional staff appraisers may be used rather than professional fee appraisers, provided prior approval is obtained from the Head of the DoD Component or his designee.
- (2) In foreign countries, professional fee or staff appraisers may be used for appraisal of DoD quarters as each particular situation warrants. After an initial approval by a professional fee or staff appraiser, DoD Components may authorize commanders in foreign countries to use (a) professional staff appraisers or (b) employee representatives, for the three-year review and reappraisal of rent schedules of all quarters within their jurisdiction. Primary reliance will be placed on the professional staff appraiser when available. If a staff appraiser is not readily available in the area, and determination is made that securing either a local professional fee appraiser, if available, or a staff appraiser from the United States is not economical or feasible, employee representatives may be used to establish rental rates. Justification for the determination to use employee representatives will be documented and retained in installation files together with the rent appraisal.
- (3) Where several DoD Components or Federal Agencies supply rental quarters in the same area, efforts should be made to coordinate professional appraisal efforts, or when employee representatives are used (see IV.C.1. and 2.) to establish a joint DoD or Government inter-agency committee in accordance with provisions of DoD Directive 5105.18, "DoD Committee Management Program," and the respective DoD Component Committee management regulation where appropriate.

Continuation of V.D.1.a.(3)

To further promote a consistent local pattern and to save time and money, the joint use of the services of an appraiser or appraisers is recommended.

- b. Appraisers shall be required to examine area rent schedules for any significant quantity of Federally-owned rental housing which is subject to the provisions of reference (a), and to either report that they have determined that rent schedules are mutually comparable, or justify a difference if it is substantially above or below comparability.
- c. After an initial appraisal by a professional fee appraiser, DoD Components may authorize the use of staff appraisers -
 - (1) for the review and reappraisal of rent schedules every alternate three-year period after the initial appraisal by the professional fee appraiser; and
 - (2) to conduct subsequent appraisals at remote or isolated installations with no more than five (5) rental units.

2. Appraisal of Transient Quarters.

Quarters that may be made available to transients shall be identified and the establishment of rental rates required by reference (a) shall be accomplished in accordance with this Instruction.

3. Execution of Approved Rent Schedules and Charges.

a. Quarters Leased or Rented on a Month-to-Month Basis.

- (1) Upon official notification of new or revised rental rates, utilities or service charges, the DoD Components, through their designated offices (i.e., the Army Corps of Engineers or Naval Facilities Engineering Command), will review appraisal reports in accordance with applicable instructions. After this review and approval the schedule of rents and charges shall be forwarded for implementation to installation commanders at the earliest practicable date.
- (2) Schedules of rents and charges received by the installation commander any time through the twentieth of the month will require that tenants be notified, no later than the first of the month following receipt of the schedules by the installation commander, that the revised schedules will go into effect the first of the succeeding month.

116542
May 5, 71

Continuation of V.D.3.a.

- (3) In order to allow sufficient time for preparation and delivery of notices to personnel it is recommended that schedules of rents and charges received after the twentieth of the month be considered as having been received the first of the following month and notification procedure described in paragraph (2), above will apply.

b. Transient Quarters (Quarters Rented on a Temporary Basis).

Upon review and approval as set forth in paragraph a.(1), above, of the rental rates and charges developed in the appraisals, the DoD Components, through their designated offices, shall notify the installation commander that the schedules are ready for implementation. Notice of the pending change in rates and charges shall immediately be given to all occupants presently occupying the quarters affected and shall be conspicuously posted in a suitable place such as the installation billeting office, ten (10 calendar) days before the new rates are put into effect.

E. Appeals.

Procedure for Processing Appeals for All Quarters. An opportunity for systematic consideration of appeals from rent determinations should be provided. Any rent appeal requested at the installation level will be processed so as to permit decision by the reviewing authority of the Military Department or Defense Agency concerned, and returned within 60 days after original receipt of the approved rent schedule by the installation Commanding Officer. If an appeal is made, the tenants must be notified that the appeal has been made and that if a decision resulting in a lower rental schedule is rendered, an adjustment of charges, as appropriate, will be made retroactive to the effective date of the notice given in accordance with subsection V.D.3., above.

F. Disposition of Collections for Rents and Charges.

Receipts from rents and other charges imposed pursuant to this Instruction will be credited to the following accounts:

<u>Type of Facility Rented</u>	<u>Account to be Credited with Receipts</u>
1. Family Housing	See reference (i).
2. Quarters not included in A., above (BOQ's, VOQ's, clubs, etc.), including quarters	

Continuation of V.F.2.

<u>Type of Facility Rented</u>	<u>Account to be Credited with Receipts</u>
operated by welfare and recreation activities (reference (j)).	
a. Shelter Rent	Treasury Miscellaneous Receipt Account 1830, "Rent of Real Property Not Otherwise Classified," under a citation which includes the appropriate military department or DoD two-digit prefix symbol.
b. Utilities and Related Services	Appropriation reimbursement to the Operation and Maintenance-Type account financing the cost of utilities.
c. Non-Appropriated Fund Services	Applicable non-appropriated fund account.

VI. RESPONSIBILITIES

To assure compliance with the intent of the Congress and the Bureau of the Budget, DoD Components shall:

- A. Establish and administer a system of rents and charges in consonance with reference (a) and this Instruction;
- B. Insure that complete coordination is accomplished in conducting appraisals in areas where more than one DoD Component operates rental housing units; and
- C. Observe the principle of comparability that DoD Components assume the responsibility customarily accompanying landlordship, and that employees who occupy quarters assume the responsibilities of tenants of privately-owned housing, not inconsistent with law.

VII. REQUIREMENTS FOR OCCUPANCY OF QUARTERS ON A RENTAL BASIS

- A. Public Law 88-459, Section 5.
 1. "An employee or a member of the uniformed services shall not be required to occupy quarters on a rental basis unless the head of the DoD Component concerned shall determine that necessary service cannot be rendered, or that property of the Government cannot adequately be protected, otherwise." DoD Components' instructions

4165.42
May 5, 71

Continuation of VII.A.1.

which implement this section should specify the conditions under which the DoD Component head will require such occupancy.

2. Although Public Law 88-459, Section 5, continues the prohibition against forcing occupancy of Government quarters on a rental basis, it does not, however, in any way interfere with the authority to require military personnel to live in adequate public quarters in accordance with normal military practice as set forth in reference (f). Consequently, members of the uniformed services will continue to utilize Government transient quarters as heretofore and will continue to forfeit a portion of their per diem as applicable under regulations issued by the Per Diem, Travel and Transportation Committee. (See Comptroller General B156187, dated April 15, 1965.)

- B. Employees on Leave Status. Employees on leave will continue to be charged for quarters and related facilities unless permitted to vacate quarters and make them available for reassignment in accordance with DoD Instruction 4165.44, reference (f).

VIII. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Two (2) copies of each implementing document shall be forwarded to the Assistant Secretary of Defense (Installations and Logistics) within 90 days.



Glenn V. Gibson
Acting Assistant Secretary of Defense
(Installations and Logistics)

Enclosure - 1
Guidance for Establishing
Rents and Charges

May 5, 71

GUIDANCE FOR ESTABLISHING RENTS AND CHARGES

I. DETERMINING RENTS AND CHARGES

- A. To establish rents and charges the DoD Components will either negotiate for and retain the services of professional fee appraisers or employ professional staff appraisers as set forth in paragraph V.D. of the Instruction. Since the professional fee and staff appraisers will employ the generally accepted real estate concepts, standards and criteria developed and used in their profession, appraisers, in carrying out their assignments, will consider but not be limited to the criteria listed below and as set forth in reference (a).

NOTE: Exception to this procedure is the use of employee representatives. (See Instruction, paragraph IV.C.1. and 2.) Employee representatives will not be permitted the discretion or leeway granted to professional fee or staff appraisers but will adhere strictly to the policy and guidelines set forth in reference (a) and this Instruction.

1. Focus attention on the basic rent principle set forth in reference (a) (that rents should be set at levels similar to those prevailing for comparable private housing in the same area).
2. Consider only those rentals which a willing tenant would pay a willing landlord, with compulsion on neither party in a reasonably competitive market.
3. Give due consideration to all factors and amenities directly affecting the rental value of the government quarters as compared to the relative desirability of privately-owned rental units.
4. Weigh the plus or minus monetary values assigned to compensate for each material difference in amenities.
5. In the case of a housekeeping unit, compare the government unit only with the unfurnished value of privately-owned units; in the case of a non-housekeeping unit, compare it with similar privately-owned furnished units (with similar utilities, services, and equipment).
6. Where housing is provided with furniture by the Government, an additional unit charge for such furniture will be made, based on the typical extra charge for furniture in comparable rental housing in the area. Adjustments

May 5, 71

Continuation of I.A.6.

may be made upward or downward to take into account any differences in the quality, quantity, and condition of the Government furniture and private furniture. When the differential in the local private market between rents for furnished and unfurnished housing units appears excessive, charges based on the following amortization formula may be established:

"The monthly charge to occupants for rental of furniture shall be set at the level that will amortize the replacement value at the time of appraisal, during the estimated useful life of the furniture, but not to exceed ten years."

Replacement value may be determined by direct comparison with the local used furniture market. Replacement value and estimated remaining useful life determinations may be made by the appraiser. A consistent policy must be followed in regard to charges for furniture for all housekeeping units on a single post or activity.

- B. Itemization of Charges for Quarters. The total charge for occupancy of quarters will be itemized as follows:

Shelter Rent. Includes, in addition to shelter rent, all public services except those included under "Utilities and Related Services" and "Nonappropriated Fund Services," below, and telephone service.

Utilities and Related Services. Includes electric power, steam, compressed air, water, sewage and garbage disposal, natural, manufactured, or mixed gas, ice, and mechanical refrigeration, when furnished by the Government. It does not include telephone service, charges for which are governed by DoD Directive 4640.4, reference (h).

Nonappropriated Fund Services. Includes all services financed from nonappropriated funds.

- C. Charges for Utilities and Related Services. Charges to occupant for utilities and related services should be set by comparison with local domestic rates for similar utilities and services as provided by reference (a).
- D. Appraiser's Report and Certificate. A full record of the findings and recommendations of appraisers is required. In order to provide a uniform appraisal reporting procedure, a certificate of appraisal and a detailed appraisal report, reflecting as minimum requirement the items listed in Attachment 1, shall be required of the

May 5, 71

Continuation of I.D.

appraisers including employee representatives and retained locally by the DoD Components concerned for audit and review purposes.

- E. Review of Appraisal Reports. In reviewing appraisal reports, the DoD Components are alerted to the following items which have frequently resulted in unrealistic rents and charges inconsistent with the requirements and intent of BoB Circular A-45:
1. The deduction of taxes from comparable private rents on the basis that the Government does not pay taxes, and therefore can charge a correspondingly lower rent.
 2. Establishment of civilian rents depressed from true comparability, in order to recruit or retain key personnel.
 3. Too liberal application of allowable deductions. In no instance will the rental rate, after all adjustments, be less than 50% of the basic rental rate. (Paragraph 6.c. of reference (a).)
 4. Establishment of rents on the basis of comparison with company-owned (or otherwise subsidized) housing.
 5. Too liberal application of isolation factors (Paragraph 6.c. of reference (a)).
 6. Maintaining the gross rent comparable to gross rents for private housing, but shrinking the shelter rent portion to permit an overly generous recovery of charges for utilities.
 7. Establishment of a shelter rent below comparability because the comparable rates exceed the BAQ of the military occupant, or exceed the BAQ forfeited by military personnel for equivalent or more adequate public quarters (paragraph 7 of reference (a)).
 8. Deduction of a profit made by private landlords on the theory that the Government cannot or should not charge rents resulting in a profit.
 9. Discrimination (e.g., establishing different rents for civilian and military occupancy).
- F. Special Consideration Applicable to "Fair Rent Value of Inadequate Public Quarters." When appraising inadequate public quarters, appraisers shall arrive at a Fair Rent Value (Reasonable Value) as defined in paragraph IV. of the basic Instruction, irrespective of the fact that a military occupant will not forfeit more than

May 5, 71

Continuation of I.F.

75% of his BAQ, except that in no event shall the net rental charged to the member's BAQ be less than the cost of maintaining and operating the housing. Particular attention should be given to that requirement contained in paragraph 6.c., reference (a), that the rental rate after adjustments, will not be less than 50% of the basic rental rate.

G: Exceptions. Permissive exceptions are as follows:

1. Appraisals for quarters scheduled for inactivation within one year of the scheduled triennial appraisal are not required.
2. In all cases where an exception to the rule of equivalence with private rents, utilities, and services is considered necessary (according to the guide in paragraph 6.d.(4) of reference (a)), the Deputy Assistant Secretary of Defense (Installations and Housing) (DASD(I&H)) shall be apprised promptly of the rent determined and the reasons for the determination. The DASD(I&H) will review and transmit the request to the Office of Management and Budget (OMB).
3. Territories and Possessions. The general policy stated in BoB Circular A-45 is to be applied in the territories and possessions. However, the method of determining specific rates in each area will require approval of the OMB in advance. Proposals must demonstrate that the method to be used will be impartial and consistent for all rental quarters in the same area, and that rents and other charges will be set at the reasonable value of the quarters and other facilities. The DoD Components will submit their proposals to DASD(I&H) for review and submission to OMB for approval.

Attachment - 1

Data to Include in Appraisal
Reports (Where Applicable)